



**Enron Corp.**

P.O. Box 1188

Houston, TX 77251-1188

(713) 853-6161

February 23, 2001

Arthur Andersen LLP  
711 Louisiana, Suite 1300  
Houston, TX 77002

Gentlemen:

We are providing this letter in connection with 1) your audit of the consolidated balance sheet of Enron Corp. and subsidiaries ("Enron" or the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholder's equity for each of the three years in the period ended December 31, 2000, for the purpose of expressing an opinion as to whether those financial statements present fairly in all material respects, the financial position, results of operations, and cash flows and changes in shareholders' equity of Enron in conformity with accounting principles generally accepted in the United States, and 2) your examination of management's assertions that the system of internal control of Enron for the year ended December 31, 2000, was adequate to provide reasonable assurance as to the reliability of the financial statements and the protection of assets from unauthorized acquisition, use or disposition, we confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit and examination.

1. We are responsible for the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. We are responsible for establishing and maintaining Enron's system of internal control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
3. We have performed an evaluation of the effectiveness of Enron's system of internal control at December 31, 2000 with respect to the preparation of reliable financial statements and the protection of assets from unauthorized acquisition, use or disposition, based upon current standards of control criteria.
4. We believe that Enron's system of internal control was adequate at December 31, 2000 to provide reasonable assurance as to the reliability of financial statements and the protection of assets against unauthorized use or disposition.

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GOVERNMENT  
EXHIBIT  
5003  
Crim No. H-04-0025

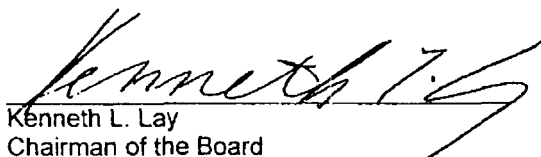
5. There are no significant deficiencies in the design or operation of Enron's internal control system which could adversely affect Enron's ability to record, process, summarize and report financial data and protect assets from unauthorized acquisition, use or disposition.
6. Subsequent to December 31, 2000, there have not been any changes in Enron's system of internal control or other factors that might significantly affect the system of internal control over reliable financial statements and safeguarding of assets, including any corrective action taken by us with regard to material weaknesses.
7. We have made available to you all financial records and related data.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except as disclosed in the footnotes to the financial statements.
9. While we are currently marketing or considering selling certain assets and investments in consolidated and unconsolidated subsidiaries, Enron has not committed to a formal plan, as defined in APB Opinion No. 30, of disposition of any such assets, except as disclosed in the consolidated financial statements. Any ultimate dispositions will be dependent on various factors including the ability to negotiate favorable sales terms.
10. The accounting records underlying the financial statements accurately and fairly reflect, in reasonable detail, the transactions of Enron.
11. We have read Enron's financial statements included in the December 31, 2000 Annual Report and Form 8-K, and hereby reaffirm all statements and representations made therein.
12. Related party transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees (both oral and written), and amounts receivable from or payable to related parties have been properly recorded and disclosed in the financial statements and the terms of the transactions were reasonable and are representative of terms that would be negotiated with unrelated third parties.
13. The following have been properly recorded or disclosed in the financial statements:
  - a. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions or other requirements.
  - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines-of-credit or similar arrangements.
  - c. Deferred income taxes based upon tax planning strategies which Enron currently expects to utilize.
  - d. Agreements to repurchase assets previously sold.

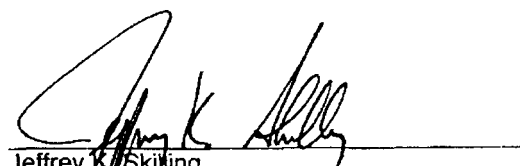
- e. All financial instruments, including those with off-balance-sheet risk (such as swaps, forwards and futures), as required under generally accepted accounting principles pursuant to Statement of Financial Accounting Standards (SFAS) No. 105, Disclosure of Information about Financial Instruments with Concentrations of Credit Risk, SFAS No. 107, Disclosures about Fair Value of Financial Instruments, and SFAS No. 119, Disclosures about Derivative Financial Instruments and Fair Value of Financial Instruments.
  - f. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, Disclosure of Certain Significant Risks and Uncertainties. (Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)
  - g. Guarantees, whether written or oral, under which Enron is contingently liable.
  - h. Provision for any material loss to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments.
  - i. Provisions for any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
  - j. Unaudited quarterly financial data that fairly summarizes the operating revenues, income before interest, minority interest, and income taxes, net income and per share data based upon that income for each quarter within the year ended December 31, 2000. This information has been prepared and presented in conformity with generally accepted accounting principles applicable to interim financial information and with Item 302 (a) of Regulation S-K. The accounting principles used to prepare that information are consistent with those used to prepare the audited financial statements.
  - k. You have brought to our attention proposed adjustments which remain unadjusted at December 31, 2000 and which are summarized in the accompanying schedule. The effects of those proposed adjustments are not material, both individually and in the aggregate, to the financial statements taken as a whole.
14. There has been no:
- a. Material fraud or any other irregularities that, although not material, involved management or other employees who had a significant role in Enron's system of internal control.
  - b. Fraud involving other employees that could have a material effect on the financial statements.
  - c. Communications from regulatory agencies or lenders concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.


15. Other than specific items enumerated otherwise herein or disclosed in the financial statements, there are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other material liabilities or gain or loss contingencies (including those that might exist relating to oral guarantees) that are required to be accrued or disclosed by SFAS No. 5.
  - c. Unasserted claims or assessments that our legal counsel has advised us are probable of assertion and must be disclosed in accordance with SFAS No. 5.
16. Other than specific items enumerated otherwise herein or disclosed in the financial statements, Enron has:
- a. Complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
  - b. *Satisfactory title to all owned assets and there are no material liens or encumbrances on such assets nor has any material asset been pledged as collateral.*
  - c. Both the ability and the intent to refinance all short-term debt on a long-term basis, including short-term debt of subsidiaries.
17. In determining the expected impacts of the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and 138 (collectively 'SFAS No. 133'), which is required to be adopted effective January 1, 2001, the Company has elected December 31, 1998 as the cut-off date for separately accounting for derivatives embedded in hybrid instruments, the Company has performed all procedures reasonably necessary to identify all contracts of the Company and its consolidated and unconsolidated subsidiaries and has performed all procedures reasonably necessary to review such contracts for potential impact as a result of applying SFAS No. 133. The calculation of the expected impact of adopting SFAS No. 133 is dependent upon certain pending interpretations of the Statement, including those related to inflation escalators included in certain contract payment provisions. The interpretation of this issue, and others, is currently under consideration by the FASB. While the ultimate conclusions reached on interpretations being considered by the FASB could impact the effects of adoption, the Company does not believe that such conclusions would have a material effect on the Company's current estimate of the impact of adoption.
18. We believe that all material expenditures that have been deferred to future periods will be recoverable.
19. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
20. We agree with the findings of specialists in evaluating the valuation of stock option grants, pension benefits and other post retirement benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or


cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

21. Enron's objective related to their merchant assets and investments, which are carried at Enron's best estimate of fair value, is to achieve capital appreciation and those assets and investments are not expected to be long-term, integrated components of Enron's energy or communications networks.
22. The impact of adopting SAB No. 101 "Revenue Recognition" will not have a material impact on Enron's financial statements.
23. We intend to permanently reinvest the \$1.8 billion of foreign subsidiaries' cumulative undistributed earnings outside the United States, and, accordingly, no United States income taxes have been provided thereon.
24. Deferred development costs on an individual project basis at December 31, 2000, represent valid development costs or projects that the Company believes are probable of occurring and intends to pursue in accordance with the accounting policy as stated in the Company's consolidated financial statements.
25. During 1999 and 2000, Enron through various subsidiaries has made loans to Elektro directly and through its wholly owned subsidiary. Approximately \$199 million of such loans since 1999 and \$264 million of such loans since April 1, 2000, which have not otherwise been formally contributed to Elektro as equity capital, have been classified as part of the Company's investment in Elektro as the loans are deemed to be of a long-term investment nature as defined in SFAS No. 52, Foreign Currency Translation.
26. The disclosures in the financial statements about operating segments are in accordance with the FASB statement No. 131, and the underlying information is that used by management's chief operating decision-maker to evaluate the performance of segments.
27. No events have occurred subsequent to December 31, 2000, and through the date of this letter, that would require adjustment to, or disclosure in, the financial statements other than those already disclosed.

  
Kenneth L. Lay  
Chairman of the Board

  
Jeffrey Skilling  
Chief Executive Officer, President and  
Chief Operating Officer

  
James V. Derrick  
Executive Vice President and General Counsel

  
Richard A. Causey  
Executive Vice President and Chief  
Accounting Officer